

BOYNE CITY HOUSING COMMISSION
BOYNE CITY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
AND
REPORTS ON INTERNAL CONTROL AND
COMPLIANCE

Auditing Procedures Report

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Boyer City Housing Commission	County	CHARLEVOIX	Type	OTHER	MuniCode
Opinion Date	June 18, 2008	Audit Submitted	June 22, 2008	Fiscal Year	September 30, 2008	

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <u>NA</u>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	784,144
General Fund Expenditure:	807,237
Major Fund Deficit Amount:	N/A

General Fund Balance:	109,551
Governmental Activities Long-Term Debt (see instructions):	167,011

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Barry	Last Name	Gaudette	Ten Digit License Number	1101011050	
CPA Street Address	3994 Sherwood Forest Drive		City	Traverse City	State	MI
				Zip Code	49686	Telephone
						946-8930
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						Zip Code
						49686

BOYNE CITY HOUSING COMMISSION
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INTRODUCTION

Independent Auditor's Report

Board of Commissioners
Boyne City Housing Commission
Boyne City, Michigan

I have audited the accompanying financial statements of the business-type activities of Boyne City Housing Commission, Michigan, a component unit of the City of Boyne City, as of and for the year ended September 30, 2007, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Boyne City Housing Commission, Michigan, as of September 30, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Boyne City Housing Commission
Independent Auditor's Report
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated June 18, 2008, on my consideration of Boyne City Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 12, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise Boyne City Housing Commission, Michigan's basic financial statements. The accompanying combining financial statements of each individual program, schedule of expenditures of federal awards, and the financial data schedule are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining financial statements of each individual program, schedule of expenditures of federal awards, and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bary E. Vanduit, CPA, PC

June 18, 2008

**Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Unaudited)**

As management of the Boyne City Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Boyne City Housing Commission's financial activities for the fiscal year ended September 30, 2007. This discussion and analysis letter of the Boyne City Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of September 30, 2007 were \$1,804,128. The net assets decreased by \$19,577, a decrease of 1.07% from the prior year.

Revenues and contributions for the Commission were \$784,144 for the fiscal year ended September 30, 2007. This was an increase of \$98,328 or 14.3% over the prior year.

Expenses for the Commission were \$807,237 for the fiscal year ended September 30, 2007. This was an increase of \$40,971 or 5.3% over the prior year.

HUD operating grants were \$471,309 for the fiscal year ended September 30, 2007. This was an increase of \$61,638 or 15.0% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has

Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Continued)**

FUND STATEMENTS

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

Boyne City Housing Commission Programs:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Development Fund Program: Created by amendment of the Boyne City Ordinance A-29: "Housing Commission", which allowed for the purchase of 13.6 acres of property adjacent to Litzenburger Place. The Housing Commission Public Housing Low Rent Program pays PILOT to this program rather than the City to go towards the mortgage payment and collects management fees to manage the "Deer Meadows" project.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$1,804,128 at the close of the fiscal year ended September 30, 2007 a decrease from \$1,823,705 in 2006. The decrease in net assets of \$19,577 was due to the change

**Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Continued)**

FINANCIAL ANALYSIS (CONTINUED)

in net assets for the fiscal year of \$(23,093) and a prior period adjustment of \$3,516.

The unrestricted net assets were \$109,551 as of September 30, 2007. This amount may be used to meet the Commission's ongoing obligations. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets, except for the Voucher Program where there is a deficit of \$12,915. The same situation held true for the prior fiscal year.

**CONDENSED STATEMENTS OF NET ASSETS
September 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Current and other assets	\$ 259,801	\$ 154,275	\$ 105,526	68.40%
Capital assets	<u>1,861,588</u>	<u>1,978,447</u>	<u>(116,859)</u>	(5.91)%
Total Assets	<u>2,121,389</u>	<u>2,132,722</u>	<u>(11,333)</u>	(0.53)%
Current liabilities	156,639	111,004	45,635	41.11%
Noncurrent liabilities	<u>160,622</u>	<u>198,013</u>	<u>(37,391)</u>	(18.88)%
Total Liabilities	<u>317,261</u>	<u>309,017</u>	<u>8,244</u>	2.67%
Net Assets:				
Invested in capital assets	1,694,577	1,799,398	(104,821)	(5.83)%
Unrestricted	<u>109,551</u>	<u>24,307</u>	<u>85,244</u>	350.70%
Total Net Assets	<u>\$1,804,128</u>	<u>\$1,823,705</u>	<u>\$ (19,577)</u>	(1.07)%

The current assets increase of \$105,526 was due in part, to cash increasing by \$74,366, a receivable from HUD increased by \$5,220 in the capital fund program, accounts receivable miscellaneous in the Development Program increased by \$19,973, and the remaining increase was due to prepaid expenses and accounts receivable-tenants increasing.

Current liabilities increased by \$45,635, in large part, due to accrued wages/payroll taxes and compensated absences increasing by \$52,857.

Noncurrent liabilities decreased by \$37,391, due to long term debt decreasing by \$12,856 and accrued compensated absences decreasing by \$24,535.

Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
September 30,**

As can be seen in the following table total revenues and contributions increased by \$98,328, due to tenant rents increasing over the prior fiscal year by \$16,104 due to incomes of tenants being higher, the operating subsidy from HUD increasing by \$32,346 over the prior year, interest income increasing by \$844 due to higher interest rates, and other income increasing by \$19,742 due to an increase in management fees of the Deer Meadows property.

	<u>2007</u>	<u>2006</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Revenues and contributions				
Operating, nonoperating, capital contributions:				
Dwelling rent	\$ 225,012	\$ 208,908	\$ 16,104	7.7%
HUD operating grants	471,309	409,671	61,638	15.0%
Other income	85,364	65,622	19,742	30.1%
Interest income	<u>2,459</u>	<u>1,615</u>	<u>844</u>	<u>52.3%</u>
Total Revenues and Contributions	<u>784,144</u>	<u>685,816</u>	<u>98,328</u>	<u>14.3%</u>

Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

	<u>2007</u>	<u>2006</u>	<u>Dollar</u> <u>Change</u>	<u>Per</u> <u>Cent</u> <u>Change</u>
Expenses				
Personal services	243,919	221,791	22,128	10.0%
Utilities	42,372	53,616	(11,244)	(21.0)%
Operations and maintenance	90,366	65,800	24,566	37.3%
Insurance	24,316	23,777	539	2.3%
Payments in lieu of taxes	16,553	14,451	2,102	14.5%
Other supplies and expenses	77,680	38,192	39,488	103.4%
Interest expense	8,643	9,225	(582)	(6.3)%
Housing Assistance Payments	170,199	205,716	(35,517)	(17.3)%
Depreciation	<u>133,189</u>	<u>133,698</u>	<u>(509)</u>	<u>(0.4)%</u>
Total Expenses	<u>807,237</u>	<u>766,266</u>	<u>40,971</u>	<u>5.3%</u>
Change in net assets	(23,093)	(80,450)	57,357	
Prior period adjustments	3,516	(23,071)	26,587	
Beginning net assets	<u>1,823,705</u>	<u>1,927,226</u>	<u>(103,521)</u>	
Ending net assets	<u>\$1,804,128</u>	<u>\$1,823,705</u>	<u>\$ (19,577)</u>	

Revenues:

Boyne City Housing Commission's primary revenue sources are subsidies and grants received by HUD. Please note that Capital Fund Program grants are classified as either soft cost revenue or hard cost revenue. Revenue received from HUD for fiscal year ended September 30, 2007 for Public Housing, capital contributions, Housing Choice Vouchers increased from fiscal year ending September 30, 2006 to September 30, 2007 by \$61,638. For fiscal year ending September 30, 2007, revenue generated by the Commission accounted for \$312,835 (or 40% of total revenue), while HUD contributions accounted for \$471,309 (or 60% of total revenue).

Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

Expenses:

Total Expenses for the fiscal ending September 30, 2006 were \$766,266 while for the fiscal year ending September 30, 2007 they were \$807,237. This represents an 5.3% increase in our operating costs. The expenses increase for several reasons, some of which include the Housing Choice Voucher HAP (housing assistance payments) payments decreased by \$35,517 from the prior year due to a lower leaseup average this fiscal year, personnel costs increased \$22,128 due mainly to wages being paid in the Development program, utilities decreased by \$11,244 due to gas costs being \$8,959 lower, operations and maintenance increased by \$24,566 due to more maintenance materials being used rather than contracting the costs out, other supplies and expenses increased by \$39,488 due to more travel and training of employees by \$16,585 and sundry items increasing by \$14,647, respectively.

The following represents changes in Federal Assistance received:

	<u>09/30/07</u>	<u>09/30/06</u>	<u>Dollar Change</u>	<u>Per Cent Change</u>
Public Housing				
Operating Subsidy	\$ 129,966	\$ 97,620	\$ 32,346	33.2%
Capital Fund Program				
Grants	105,031	96,947	8,084	8.3%
Housing Choice				
Voucher Program	236,312	215,104	21,208	9.9%
Total	<u>\$ 471,309</u>	<u>\$ 409,671</u>	<u>\$ 61,638</u>	<u>15.0%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The subsidy for Housing Choice Vouchers increased due to HUD's new method of funding for vouchers. The increase in the Capital Fund Program was due to the fact that work projects during the fiscal year ending September 30, 2007 progressed along more rapidly than the prior year, thus utilizing more of our Capital Fund Program funding in the fiscal year ending September 30, 2007 than in the fiscal year ending September 30, 2006. The operating subsidy for Public Housing increased by \$32,346, due to increased operating costs.

Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

Budget Analysis:

A Low Rent Public Housing Operating Budget for the fiscal year ending September 30, 2007 was presented to and approved by the Board of Commissioners. We had no reason to amend the budget during the fiscal year. Actual results were in line with budgeted amounts.

OPERATIONAL HIGHLIGHTS

The Boyne City Housing Commission provided the following housing for low-income elderly and low-income families:

	<u>9/30/07</u>	<u>9/30/06</u>
Low Rent Public Housing	79	79
Housing Choice Vouchers	60	60
Development Fund	4	4

During the fiscal year ending September 30, 2007, Boyne City Housing Commission maintained a lease-up rate of 98.9% in its Public Housing Program and a lease-up rate of 84.7% in its Housing Choice Voucher program.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents.

We know of no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes).

**Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Continued)**

CAPITAL ASSETS

During the fiscal year ending September 30, 2007, although the Capital Fund grant monies were used for operational purposes, there were some capital outlays such as a computer, furniture, ranges and refrigerators, office security window, blinds, washers and dryers, update the security system, air conditioners, furnaces, carpet, and landscaping rock.

The Boyne City Housing Commission's investment in capital assets, as of September 30, 2007 amounts to \$1,861,588 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
September 30,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 793,268	\$ 793,268	\$
Buildings	3,148,259	3,137,732	10,527
Furniture, equipment and machinery - dwellings	13,130	13,130	
Furniture, equipment and machinery - administration	<u>135,437</u>	<u>129,634</u>	<u>5,803</u>
	4,090,094	4,073,764	16,330
Accumulated depreciation	<u>(2,228,506)</u>	<u>(2,095,317)</u>	<u>(133,189)</u>
Total	<u>\$ 1,861,588</u>	<u>\$ 1,978,447</u>	<u>\$ (116,859)</u>

FINANCIAL HIGHLIGHTS

Due to the previous year's improved financial position the Boyne City Housing Commission, the housing commission was able to continue to make significant progress in addressing other housing commission challenges. A new Executive Director was hired on September 27, 2006. Analysis of all areas of management and maintenance revealed a need to implement various strategies for improvement in both maintenance and management. The maintenance supervisor retired and, as a cost saving measure, the Executive Director assumed the role of maintenance supervisor; an entirely new maintenance staff was hired and trained to recognize and correct REAC and HQS related deficiencies on a daily basis.

The management office was revamped. One part time staff person was let go; the position of Assistant Director was eliminated, and one employee was reassigned to the office. Office staff began attending training in all facets of Low Rent and Voucher Program operation; and they implemented each discipline as it was learned.

Boyne City Housing Commission
Management's Discussion and Analysis (MD&A)
September 30, 2007
(Continued)

FINANCIAL HIGHLIGHTS (CONTINUED)

Compliance in program operation began to improve as training progressed.

The coin operated washers and dryers not only generated much needed revenue, but reduced the cost for related utilities. The drought in the summer of 2007 did drive up the cost of cooling and watering costs. Furnaces, hot water heaters, refrigerators and ranges were replaced as they failed. Modernization began on units in Litzenburger Apartments and the scattered sites. All zone valves, thermostats, and leaking faucets were replaced.

Lease enforcement resulted in several evictions and major repair of completely trashed units. Turn over time has been maintained at 3-5 days for an apartment and 5 to 10 days for a house unless it is modernized or must be brought back on line after suffering a great deal of tenant caused damages or deferred maintenance. A great deal of time was spent redrafting policies and procedures for all programs.

Capital expenditures planned for 2007-2008 include replacement of the computer system, security camera system and on going replacement of furnaces, hot water heaters, refrigerators and ranges as they fail. Houses and units are also scheduled for complete modernization. Planned energy improvements include replacement of lighting fixtures with more energy efficient models and light bulbs with fluorescent bulbs.

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Sheila Smith, Executive Director
Boyne City Housing Commission
829 South Park Street
Boyne City, MI 49712

FINANCIAL STATEMENTS

BOYNE CITY HOUSING COMMISSION
STATEMENT OF NET ASSETS
September 30, 2007
=====

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 116,355
Receivables, net	125,778
Prepaid expenses	<u>17,668</u>
Total Current Assets	<u>259,801</u>
Capital Assets:	
Land	793,268
Buildings	3,148,259
Equipment	<u>148,567</u>
	4,090,094
Less: accumulated depreciation	<u>(2,228,506)</u>
Net Capital Assets	<u>1,861,588</u>
Total Assets	<u>\$ 2,121,389</u>

See notes to financial statements

BOYNE CITY HOUSING COMMISSION
STATEMENT OF NET ASSETS (CONTINUED)
September 30, 2007
=====

LIABILITIES and NET ASSETS

Current Liabilities:	
Accounts payable	\$ 7,837
Tenant security deposit liability	31,793
Accrued expenses	102,441
Deferred revenues	3,047
Current portion of long-term debt	<u>11,521</u>
Total Current Liabilities	<u>156,639</u>
Noncurrent liabilities:	
Long-term debt, net of current	155,490
Accrued compensated absences	<u>5,132</u>
Total Noncurrent Liabilities	<u>160,622</u>
Total Liabilities	<u>317,261</u>
Net Assets:	
Invested in capital assets	1,694,577
Unrestricted net assets	<u>109,551</u>
Total Net Assets	<u>1,804,128</u>
Total Liabilities and Net Assets	<u>\$ 2,121,389</u>

See notes to financial statements

BOYNE CITY HOUSING COMMISSION
**STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS**
 Year Ended September 30, 2007
 =====

OPERATING REVENUES:

Dwelling rent	\$ 225,012
HUD PHA grants	<u>471,309</u>
 Total operating revenues	 <u>696,321</u>

OPERATING EXPENSES:

Administration	177,538
Tenant services	1,798
Utilities	42,372
Ordinary maintenance and operation	205,559
General expenses	59,025
Extraordinary maintenance	17,557
Housing assistance payments	170,199
Depreciation	<u>133,189</u>
 Total operating expenses	 <u>807,237</u>

Operating income(loss)	<u>(110,916)</u>
------------------------	-------------------

NONOPERATING REVENUES:

Investment interest income	2,459
Other income	<u>85,364</u>

Total nonoperating revenues	<u>87,823</u>
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Change in net assets	(23,093)
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Prior period adjustments	3,516
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Net assets, beginning	<u>1,823,705</u>
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Net assets, ending	<u><u>\$ 1,804,128</u></u>
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See notes to financial statements

BOYNE CITY HOUSING COMMISSION
STATEMENT OF CASH FLOWS
Year Ended September 30, 2007
=====

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from dwelling and nondwelling rents	\$ 221,878
Cash received from operating grants	466,089
Cash payments to other suppliers of goods and services	(420,383)
Cash payments to employees for services	(215,597)
Cash payments for in lieu of taxes	<u>(16,553)</u>
Net cash provided by operating activities	<u>35,434</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Tenant security deposits	(495)
Other revenue	<u>65,336</u>
Net cash provided by noncapital financing activities	<u>64,841</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Long-term debt principal payments	(12,038)
Payments for capital acquisitions	<u>(16,330)</u>
Net cash (used) by capital and related financing activities	<u>(28,368)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Receipts of interest and dividends	<u>2,459</u>
Net cash provided by investing activities	<u>2,459</u>
Net increase(decrease) in cash	74,366
Cash and cash equivalents, beginning	<u>41,989</u>
Cash and cash equivalents, ending	<u>\$ 116,355</u>

BOYNE CITY HOUSING COMMISSION
STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended September 30, 2007
=====

RECONCILIATION OPERATING INCOME(LOSS)
TO NET CASH PROVIDED BY OPERATING
ACTIVITIES:

Operating income(loss)	\$(110,916)
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:	
Depreciation	133,189
Bad debt allowance adjustment	2,289
Prior period adjustment	3,516
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-HUD	(5,220)
Accounts receivable-tenants	(3,966)
Prepaid expenses	(5,076)
Inventories	933
Increase (decrease) in liabilities:	
Accounts payable	(3,956)
Accrued wage/payroll taxes payable	49,434
Accrued compensated absences	(21,112)
Accrued interest payable	(104)
Current liabilities-other	(4,409)
Deferred revenues	<u>832</u>
Net cash provided by operating activities	<u>\$ 35,434</u>

See notes to financial statements

BOYNE CITY HOUSING COMMISSION
NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2007

=====

NOTE 1: Summary of Significant Accounting Policies

The Boyne City Housing Commission (the Housing Commission) is a Public Housing Agency created by the City of Boyne City on January 30, 1967, consisting of a five member board appointed by the City Manager and charged with the responsibility to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with U.S. generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1(a) Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
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In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

1(a) Financial Reporting Entity (Continued)

BCHC Nonprofit Housing Corporation - The Housing Commission formed a non-profit housing corporation on September 12, 2000, the B.C.H.C. Non Profit Housing Corp to own .01% of the capital of the BCHC LDHA Limited Partnership. The B.C.H.C. Non Profit Housing Corp is the General Partner of the Partnership and the NDC Corporate Equity Fund III LP partnership is a limited partner and has a 99.99% share of capital. BCHC LDHA Limited Partnership has constructed low-income housing on property obtained from the Boyne City Housing Commission. The housing complex "Deer Meadows" is operated by the partnership and is managed by the Housing Commission. Financial statements of the BCHC LDHA Limited Partnership are available from the Executive Director of the Boyne City Housing Commission.

1(b) Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

Program	Brief Description
Low Rent Program	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
Housing Choice Vouchers Program	Accounts for activities of the Voucher program which assists very low income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.

1(b) Basis of Presentation (Continued)

Development Fund Program: The Housing Commission Public Housing Low Rent Program pays PILOT to this program rather than the City to go towards the mortgage payment and collects management fees to manage the "Deer Meadows" project.

1(c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1(d) Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note 2(b) and 3(a).

1(d) Assets, Liabilities, and Equity (Continued)

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Insurance

The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

Budgets and Budgetary Accounting

The Housing Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$600 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

1(d) Assets, Liabilities, and Equity (Continued)

Capital Assets (Continued)

Depreciation of all exhaustible capital assets are recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building improvements	10 - 15 years
Equipment and furnishings	5 - 10 years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

1(e) Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

1(e) Revenues, Expenditures, and Expenses (Continued)

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

Post Employment Benefits

The provision for pension cost is recorded on an accrual basis, and the Commission's policy is to fund pension costs as they accrue.

Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

NOTE 2: Stewardship, Compliance, and Accountability

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows.

2(a) Program Accounting Requirements

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of HUD
Housing Choice Vouchers Program	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD
Development Fund Program	U.S. Department of HUD

2(b) Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written Depository Agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

2(b) Deposits and Investments Laws and Regulations (Continued)

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3(a) Cash and Investments

Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at September 30, 2007. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Housing Commission (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

3(a) Cash and Investments (Continued)

Deposits (Continued)

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	<u>\$117,455</u>	<u>\$117,455</u>	<u>\$</u>	<u>\$</u>	<u>\$ 116,185</u>

Investments

The Housing Commission does not have any investments.

A reconciliation of cash as shown on the combined statement of net assets is as follows:

Change fund	\$ 20
Petty cash	150
Carrying amount of deposits	<u>116,185</u>
Total	<u>\$ 116,355</u>

Cash and investments:	
Enterprise activities	\$ 117,625
Enterprise activities - deposit in transit	6,159
Enterprise activities - checks written in excess of deposits	<u>(7,429)</u>
Total	<u>\$ 116,355</u>

3(b) Receivables

Receivables detail at September 30, 2007, is as follows:

HUD	\$ 102,167
Miscellaneous	20,028
Tenant accounts receivable	6,712
Allowance for doubtful accounts	<u>(3,129)</u>
	<u>\$ 125,778</u>

3(c) Capital Assets

Capital asset activity for the year ended September 30, 2007, was as follows:

	Balance 09/30/06	Additions/ Transfers	Retirements/ Transfers	Balance 09/30/07
Transitional Housing Fund Program				
Buildings	\$ 42,170	\$	\$ (42,170)	\$
	42,170		<u>(42,170)</u>	
Less accumulated depreciation	<u>(2,727)</u>	\$	\$ 2,727	
Total	<u>\$ 39,443</u>			<u>\$</u>

3(c) Capital Assets (Continued)

	Balance 09/30/06	Additions/ Transfers	Retirements/ Transfers	Balance 09/30/07
Development Program				
Land	\$ 245,280	\$	\$	\$ 245,280
Buildings		42,169		42,169
Furniture, equip. & machinery - administration		2,100		2,100
	245,280	\$ 44,269	\$	289,549
Less accumulated depreciation		\$ (3,940)	\$	(3,940)
Total	<u>\$ 245,280</u>			<u>\$ 285,609</u>
Low Rent Program				
Land	\$ 547,988	\$	\$	\$ 547,988
Buildings	3,095,562	10,528		3,106,090
Furniture, equip. & machinery - dwellings	13,130			13,130
Furniture, equip. & machinery - administration	127,636	3,703		131,339
	3,784,316	14,231		3,798,547
Less accumulated depreciation	(2,090,592)	\$	\$	(2,222,568)
Total	<u>\$1,693,724</u>			<u>\$1,575,979</u>
Housing Choice Voucher Program				
Furniture, equip. & machinery - administration	\$ 1,998	\$	\$	\$ 1,998
	1,998			1,998
Less accumulated depreciation	(1,998)	\$	\$	(1,998)
Total	<u>\$</u>			<u>\$</u>
Combined Totals				<u>\$1,861,588</u>

3(d) Accrued Expenses

Accrued expense detail at September 30, 2007, is as follows:

Accrued wage/payroll taxes payable	\$ 90,727
Accrued compensated absences-current portion	11,281
Accrued interest payable	433
	<u>\$ 102,441</u>

3(d) Accrued Expenses (Continued)

The City of Boyne City makes disbursements to the Housing Commission's staff for compensation and payments to vendors for employee benefits, worker's compensation insurance, vehicle insurance, telephone, and miscellaneous costs. On a periodic basis, the City bills the Housing Commission for actual compensation and vendor payments made on behalf of the Housing Commission. At September 30, 2007, the amounts due the City of Boyne City for these costs were \$90,727 for the wage and payroll taxes portion and \$2,149 for accounts payable.

3(e) Interprogram Transactions and Balances

Operating Transfers

The capital fund program transferred \$105,031 to the low rent program during the fiscal year ended September 30, 2007.

Interprogram Receivable/Payable

Low Rent Program	\$ 224,109
Capital Fund Program	(102,167)
Housing Choice Voucher Program	(7,639)
Development Fund Program	(114,303)
	<u>\$</u>

3(f) Long-Term Debt

Details of the Housing Commission's outstanding indebtedness, are set forth below:

At September 30, 2007, long-term debt consists of:

The Housing Commission is reporting three different loans with the Huntington National Bank of \$30,178, \$102,628, and \$34,205 as of September 30, 2007, respectively. The interest rates are 5.875%, 4.125%, and 6.5%, respectively. The debt payments (principal and interest) are \$332.49, \$1,041.12, and \$350.87 per month, respectively.

Debt activity during the fiscal year ended September 30, 2007 is as follows:

Balance at September 30, 2006	\$ 179,049
Loan proceeds	-
Principal payments	(12,038)
Balance at September 30, 2007	<u>\$ 167,011</u>
Current portion	\$ 11,521
Noncurrent portion	155,490
Total debt	<u>\$ 167,011</u>

3(f) Long-Term Debt (Continued)

Debt principal requirements for the ensuing five-year period are as follows:

2008	\$ 11,521
2009	12,015
2010	12,615
2011	13,220
2012	13,870
Thereafter	<u>103,770</u>
	<u>\$ 167,011</u>

NOTE 4: Other Notes

4(a) Employee Retirement Plan

1. Defined Benefit Plan

Each employee is covered under a defined benefit plan with the City of Boyne City with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer and employee contributions with complete vesting after 8 years of service and normal retirement age at 60 years of age. At December 31, 2007, the date of the last completed actuarial evaluation, the Housing Commission's actuarial accrued liabilities for retirement benefits was \$868,950. The valuation of assets to meet this obligation was \$646,934, therefore the unfunded amount is \$222,016. The Housing Commission computed employer contributions as a percentage of payroll of 14.07% of payroll to cover the employer's cost for current benefits. The minimum required monthly employer contribution is \$2,187. There are four (6) active members, one (1) vested former member, and three (3) retirees and beneficiaries.

2. Deferred Compensation Plan

A voluntary deferred compensation program (through ICMA) is available to all full-time Housing Commission employees. Under this program employees direct their investments among several options. This program is referred to by the IRS as a "457" plan and is non-taxable until withdrawn from the fund.

As an incentive, the Housing Commission does pay some deferred compensation for employees in varying amounts on an annual basis. Both the Housing Commission and the employee must pay FICA on these amounts.

4(b) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Injuries to employees (workers' compensation)	Insurance coverage is with the City of Boyne City's.
b. Physical property loss and natural disasters	Insurance coverage purchased from Municipal Underwriters of Michigan with the Insurance Company being Municipal Insurance Alliance.
c. Liability	Insurance coverage same as (c).
d. Health	Health insurance is with Priority Health.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4(c) Commitments and Contingencies

Commitments - Deferred Loan

Note 1 describes the Housing Commission's involvement with the BCHC LDHA Limited Partnership by the creation of the BCHC Nonprofit Housing Corporation. The Partnership was audited by other auditor's and the notes included the following:

The \$210,000 mortgage is a deferred loan at an interest rate to be determined. No payments are due until completion of the first mortgage. Both mortgages are secured by substantially all assets of the partnership, with the deferred loan being subordinated. The deferred loan is from Boyne City Housing Commission, parent organization of the general partner.

4(c) Commitments and Contingencies (Continued)

Commitments - Construction

At September 30, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2006 CFP	\$ 96,947	\$ 96,947
2007 CFP	<u>102,167</u>	<u>-</u>
	<u>\$ 199,114</u>	<u>\$ 96,947</u>

Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

4(d) Prior Period Adjustments and Equity Transfers

Public Housing Low Rent Program

Prior period adjustment for a payable \$ 130

Housing Choice Voucher Program

Prior period adjustment for a payable \$ 43

Development Fund Program

Prior period adjustment for various payables \$ 3,343
Transfer equity to the Transitional Housing
Program (1,666)
\$ 1,667

Transitional Housing Program

Transfer equity from the Development Fund
Program \$ 1,666

NOTE 5: Segment Information

The Housing Commission maintains one Enterprise Fund that includes four separate programs which provide housing assistance and grant programs. Segment information for the year ended September 30, 2007, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>Development Fund Program</u>
Condensed Statement of Net Assets				
Current assets	\$ 320,460	\$102,167	\$ 4,144	\$ 57,139
Capital assets	<u>1,575,979</u>			<u>285,609</u>
Total assets	<u>\$1,896,439</u>	<u>\$102,167</u>	<u>\$ 4,144</u>	<u>\$ 342,748</u>
Current liabilities	\$ 112,370	\$102,167	\$ 16,874	\$ 149,337
Noncurrent liabilities	<u>4,614</u>		<u>185</u>	<u>155,823</u>
Total liabilities	<u>116,984</u>	<u>102,167</u>	<u>17,059</u>	<u>305,160</u>
Net assets:				
Invested in capital assets	1,575,979			118,598
Unrestricted net assets	<u>203,476</u>		<u>(12,915)</u>	<u>(81,010)</u>
Total net assets	<u>1,779,439</u>		<u>(12,915)</u>	<u>37,588</u>
Total liabilities & net assets	<u>\$1,896,439</u>	<u>\$102,167</u>	<u>\$ 4,144</u>	<u>\$ 342,748</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Dwelling rent	\$ 207,823	\$	\$	\$ 17,189
HUD PHA grants	129,966	105,031	236,312	
Depreciation	(131,976)			(1,213)
Other operating expenses	<u>(378,770)</u>		<u>(202,024)</u>	<u>(93,254)</u>
Operating (loss)	<u>(172,957)</u>	<u>105,031</u>	<u>34,288</u>	<u>(77,278)</u>
Nonoperating revenues:				
Investment earnings	1,514		651	294
Other income	12,720			72,644
Operating transfers	<u>105,031</u>	<u>(105,031)</u>		
Change in net assets	<u>(53,692)</u>		<u>34,939</u>	<u>(4,340)</u>
Prior period adjustments, equity transfers	130		43	1,677
Beginning net assets	<u>1,833,017</u>		<u>(47,897)</u>	<u>40,251</u>
Ending net assets	<u>\$1,779,455</u>	<u>\$</u>	<u>\$ (12,915)</u>	<u>\$ 37,588</u>

NOTE 5: Segment Information (Continued)

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>	<u>Housing Choice Vouchers</u>	<u>Development Fund Program</u>
Condensed Statement of Cash Flows				
Net cash provided				
(used) by:				
Operating activities	\$(45,461)	\$ 99,811	\$ 37,936	\$(55,203)
Noncapital financing activities	102,338	(99,811)	(37,107)	106,485
Capital and related financing activities	(14,231)			(17,486)
Investing activities	<u>1,514</u>	<u> </u>	<u>651</u>	<u>294</u>
Net increase(decrease)	44,160		1,480	34,090
Beginning cash and cash equivalents	<u>33,257</u>	<u> </u>	<u>2,589</u>	<u>779</u>
Ending cash and cash equivalents	<u>\$ 77,417</u>	<u>\$ </u>	<u>\$ 4,069</u>	<u>\$ 34,869</u>

SUPPLEMENTARY INFORMATION

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF NET ASSETS
BY PROGRAM

September 30, 2007

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	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 77,417	\$
Receivables:		
HUD		102,167
Miscellaneous	55	
Tenants-dwelling rents	5,100	
Allowance for doubtful accounts	(3,129)	
Prepaid expenses	16,908	
Due from other programs	<u>224,109</u>	
Total current assets	<u>320,460</u>	<u>102,167</u>
Capital assets:		
Land	547,988	
Buildings	3,106,090	
Equipment	<u>144,469</u>	
	3,798,547	
Less accumulated depreciation	<u>(2,222,568)</u>	
Net capital assets	<u>1,575,979</u>	
Total Assets	<u>\$ 1,896,439</u>	<u>\$ 102,167</u>

Housing Choice Vouchers Program 14.871	Development Fund	Transitional Housing Fund	Totals
\$ 4,069	\$ 34,869	\$	\$ 116,355
			102,167
	19,973		20,028
	1,612		6,712
			(3,129)
75	685		17,668
			224,109
<u>4,144</u>	<u>57,139</u>		<u>483,910</u>
	245,280		793,268
	42,169		3,148,259
<u>1,998</u>	<u>2,100</u>		<u>148,567</u>
1,998	289,549		4,090,094
(1,998)	(3,940)		(2,228,506)
	<u>285,609</u>		<u>1,861,588</u>
<u>\$ 4,144</u>	<u>\$ 342,748</u>	<u>\$</u>	<u>\$ 2,345,498</u>

BOYNE CITY HOUSING COMMISSION
 COMBINING STATEMENT OF NET ASSETS
 BY PROGRAM (CONTINUED)
 September 30, 2007
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,340	\$
Tenant security deposit liability	31,043	
Accrued expenses	70,940	
Deferred revenues	3,047	
Current portion of long-term debt		
Due to other programs	<u> </u>	<u>102,167</u>
Total current liabilities	<u>112,370</u>	<u>102,167</u>
Noncurrent liabilities:		
Long-term debt, net of current		
Accrued compensated absences	<u>4,614</u>	<u> </u>
Total noncurrent liabilities	<u>4,614</u>	<u> </u>
Total liabilities	<u>116,984</u>	<u>102,167</u>
Net Assets:		
Invested in capital assets	1,575,979	
Unrestricted net assets	<u>203,476</u>	<u> </u>
Total net assets	<u>1,779,455</u>	<u> </u>
Total Liabilities and Net Assets	<u><u>\$1,896,439</u></u>	<u><u>\$ 102,167</u></u>

Housing Choice Vouchers Program 14.871	Development Fund	Transitional Housing Fund	Totals
\$ 232	\$ 265	\$	\$ 7,837
	750		31,793
9,003	22,498		102,441
			3,047
	11,521		11,521
<u>7,639</u>	<u>114,303</u>	<u></u>	<u>224,109</u>
<u>16,874</u>	<u>149,337</u>	<u></u>	<u>380,748</u>
	155,490		155,490
<u>185</u>	<u>333</u>	<u></u>	<u>5,132</u>
<u>185</u>	<u>155,823</u>	<u></u>	<u>160,622</u>
<u>17,059</u>	<u>305,160</u>	<u></u>	<u>541,370</u>
	118,598		1,694,577
<u>(12,915)</u>	<u>(81,010)</u>	<u></u>	<u>109,551</u>
<u>(12,915)</u>	<u>37,588</u>	<u></u>	<u>1,804,128</u>
<u>\$ 4,144</u>	<u>\$ 342,748</u>	<u>\$</u>	<u>\$ 2,345,498</u>

BOYNE CITY HOUSING COMMISSION
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
 CHANGES IN NET ASSETS BY PROGRAM**
 Year Ended September 30, 2007

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
OPERATING REVENUES:		
Dwelling rent	\$ 207,823	\$
HUD PHA grants	<u>129,966</u>	<u>105,031</u>
Total operating revenues	<u>337,789</u>	<u>105,031</u>
OPERATING EXPENSES:		
Administration	102,744	
Tenant services	1,798	
Utilities	42,295	
Ordinary maintenance and operation	170,437	
General expenses	43,939	
Extraordinary maintenance	17,557	
Housing assistance payments		
Depreciation	<u>131,976</u>	
Total operating expenses	<u>510,746</u>	
Operating income(loss)	<u>(172,957)</u>	<u>105,031</u>
NONOPERATING REVENUES:		
Operating transfers in(out)	105,031	(105,031)
Investment interest income	1,514	
Other income	<u>12,720</u>	
Total nonoperating revenues	<u>119,265</u>	<u>(105,031)</u>
Change in net assets	(53,692)	
Equity transfers, prior period adjustments	130	
Net assets, beginning	<u>1,833,017</u>	
Net assets, ending	<u>\$1,779,455</u>	<u>\$</u>

Housing Choice Vouchers Program 14.871	Development Fund	Transitional Housing Fund	Totals
\$ 236,312	\$ 17,189	\$	\$ 225,012
<u>236,312</u>	<u>17,189</u>	<u></u>	<u>471,309</u>
31,825	42,969		696,321
	77		177,538
	35,122		1,798
	15,086		42,372
170,199			205,559
	1,213		59,025
<u>202,024</u>	<u>94,467</u>	<u></u>	17,557
34,288	(77,278)		170,199
			<u>133,189</u>
651	294		807,237
<u>651</u>	<u>72,644</u>	<u></u>	<u>807,237</u>
34,939	(4,340)		(110,916)
43	1,677	1,666	2,459
(47,897)	40,251	(1,666)	85,364
<u>\$(12,915)</u>	<u>\$ 37,588</u>	<u>\$</u>	<u>87,823</u>
			(23,093)
			3,516
			1,823,705
			<u>\$ 1,804,128</u>

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM

Year Ended September 30, 2007

=====

	Low Rent Program 14.850a	Capital Fund Program 14.872
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from dwelling and nondwelling rents	\$ 206,219	\$
Cash received from operating grants	129,966	99,811
Cash payments to other suppliers of goods and services	(203,949)	
Cash payments to employees for services	(161,144)	
Cash payments for in lieu of taxes	(16,553)	
Net cash provided (used) by operating activities	(45,461)	99,811
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating transfers in(out)	105,031	(105,031)
Interprogram due from(to)	(16,758)	5,220
Tenant security deposits	1,400	
Other revenue	12,665	
Net cash provided (used) by noncapital financing activities	102,338	(99,811)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Long-term debt principal payments		
Payments for capital acquisitions	(14,231)	
Net cash (used) by capital and related financing activities	(14,231)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts of interest and dividends	1,514	
Net cash provided by investing activities	1,514	
Net increase(decrease) in cash	44,160	
Cash and cash equivalents, beginning	33,257	
Cash and cash equivalents, ending	\$ 77,417	\$

Housing Choice Vouchers Program 14.871	Development Fund	Transitional Housing Fund	Totals
\$ 236,312	\$ 15,577	\$ 82	\$ 221,878
(186,238)	(28,710)	(1,486)	(420,383)
(12,138)	(42,070)	(245)	(215,597)
			(16,553)
<u>37,936</u>	<u>(55,203)</u>	<u>(1,649)</u>	<u>35,434</u>
(37,107)	53,064	(4,419)	
	750	(2,645)	(495)
	<u>52,671</u>		<u>65,336</u>
<u>(37,107)</u>	<u>106,485</u>	<u>(7,064)</u>	<u>64,841</u>
	24,056	(36,094)	(12,038)
	<u>(41,542)</u>	<u>39,443</u>	<u>(16,330)</u>
	<u>(17,486)</u>	<u>3,349</u>	<u>(28,368)</u>
<u>651</u>	<u>294</u>		<u>2,459</u>
<u>651</u>	<u>294</u>		<u>2,459</u>
1,480	34,090	(5,364)	74,366
<u>2,589</u>	<u>779</u>	<u>5,364</u>	<u>41,989</u>
<u>\$ 4,069</u>	<u>\$ 34,869</u>	<u>\$</u>	<u>\$ 116,355</u>

BOYNE CITY HOUSING COMMISSION
COMBINING STATEMENT OF CASH FLOWS
BY PROGRAM (CONTINUED)

Year Ended September 30, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
RECONCILIATION OF OPERATING INCOME		
(LOSS) TO NET CASH PROVIDED BY		
OPERATING ACTIVITIES:		
Operating income(loss)	\$(172,957)	\$ 105,031
Adjustments to reconcile operating (loss) to net cash provided(used) by operating activities:		
Depreciation	131,976	
Bad debt allowance adjustment	2,197	
Prior period adjustment	130	
Equity transfer		
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-HUD		(5,220)
Accounts receivable-tenants	(2,635)	
Prepaid expenses	(4,611)	
Inventories	933	
Increase (decrease) in liabilities:		
Accounts payable	(3,512)	
Accrued wage/payroll taxes payable	24,709	
Accrued compensated absences	(22,722)	
Accrued interest payable		
Current liabilities-other		
Deferred revenues	<u>1,031</u>	
Net cash provided (used) by operating activities	<u><u>\$(45,461)</u></u>	<u><u>\$ 99,811</u></u>

Housing Choice Vouchers Program 14.871	Development Fund	Transitional Housing Fund	Totals
\$ 34,288	\$ (77,278)	\$	\$ (110,916)
	1,213		133,189
	92		2,289
43	3,343		3,516
	(1,666)	1,666	
			(5,220)
	(1,612)	281	(3,966)
(75)	(685)	295	(5,076)
			933
(502)	58		(3,956)
4,778	20,156	(209)	49,434
(596)	2,242	(36)	(21,112)
		(104)	(104)
	(1,066)	(3,343)	(4,409)
		(199)	832
<u>\$ 37,936</u>	<u>\$ (55,203)</u>	<u>\$ (1,649)</u>	<u>\$ 35,434</u>

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS
Year Ended September 30, 2007
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2007	Low Rent Public Housing	14.850a	\$ 129,966
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2007	Capital Fund Program	14.872	105,031
	<u>Low Income Public Housing Nonmajor - Direct Program</u>		
2007	Housing Choice Vouchers	14.871	<u>236,312</u>
	Total		<u>\$ 471,309</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1: Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

BOYNE CITY HOUSING COMMISSION

FINANCIAL DATA SCHEDULE

Year Ended September 30, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	ASSETS		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 46,374	\$
114	Cash-tenant security deposits	<u>31,043</u>	
100	Total cash	<u>77,417</u>	
	Receivables:		
122	A/R-HUD other projects		102,167
125	A/R-miscellaneous	55	
126	A/R-tenants-dwelling rents	5,100	
126.1	Allowance for doubtful accounts	<u>(3,129)</u>	
120	Total receivables, net of allowance for doubtful accounts	<u>2,026</u>	<u>102,167</u>
	Other Current Assets:		
142	Prepaid expenses and other assets	16,908	
144	Interprogram due from	<u>224,109</u>	
	Total other current assets	<u>241,017</u>	
150	Total current assets	<u>320,460</u>	<u>102,167</u>
	Noncurrent Assets:		
	Fixed Assets:		
161	Land	547,988	
162	Buildings	3,106,090	
163	Furn, equip & mach-dwellings	13,130	
164	Furn, equip & mach-admin.	131,339	
166	Accumulated depreciation	<u>(2,222,568)</u>	
160	Total fixed assets, net of accumulated depreciation	<u>1,575,979</u>	
180	Total noncurrent assets	<u>1,575,979</u>	
190	Total Assets	<u>\$ 1,896,439</u>	<u>\$102,167</u>

Housing Choice Vouchers Program 14.871	Development Fund	Transitional Housing Fund	Totals
\$ 4,069	\$ 34,869	\$	\$ 85,312
			31,043
<u>4,069</u>	<u>34,869</u>		<u>116,355</u>
			102,167
	19,973		20,028
	1,612		6,712
			(3,129)
	<u>21,585</u>		<u>125,778</u>
75	685		17,668
			224,109
<u>75</u>	<u>685</u>		<u>241,777</u>
<u>4,144</u>	<u>57,139</u>		<u>483,910</u>
	245,280		793,268
	42,169		3,148,259
1,998	2,100		13,130
(1,998)	(3,940)		135,437
			(2,228,506)
	<u>285,609</u>		<u>1,861,588</u>
	<u>285,609</u>		<u>1,861,588</u>
<u>\$ 4,144</u>	<u>\$ 342,748</u>	<u>\$</u>	<u>\$ 2,345,498</u>

BOYNE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
Year Ended September 30, 2007
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
LIABILITIES and NET ASSETS			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable	\$ 7,340	\$
321	Accrued wage/payroll taxes payable	62,953	
322	Accrued compensated absences-current portion	7,987	
325	Accrued interest payable		
341	Tenant security deposits	31,043	
342	Deferred revenues	3,047	
343	Current portion of long-term debt		
347	Interprogram due to	<u> </u>	<u>102,167</u>
310	Total current liabilities	<u>112,370</u>	<u>102,167</u>
	Noncurrent Liabilities:		
351	Long-term debt, net of current		
354	Accrued compensated absences	<u>4,614</u>	<u> </u>
350	Total noncurrent liabilities	<u>4,614</u>	<u> </u>
300	Total liabilities	<u>116,984</u>	<u>102,167</u>
	Net Assets:		
508.1	Invested in capital assets	<u>1,575,979</u>	<u> </u>
508	Total invested in capital assets	1,575,979	
512.1	Unrestricted net assets	<u>203,476</u>	<u> </u>
513	Total Net Assets	<u>1,779,455</u>	<u> </u>
600	Total Liabilities and Net Assets	<u>\$ 1,896,439</u>	<u>\$102,167</u>

Housing Choice Vouchers Program 14.871	Development Fund	Transitional Housing Fund	Totals
\$ 232	\$ 265	\$	\$ 7,837
7,618	20,156		90,727
1,385	1,909		11,281
	433		433
	750		31,793
			3,047
	11,521		11,521
<u>7,639</u>	<u>114,303</u>		<u>224,109</u>
<u>16,874</u>	<u>149,337</u>		<u>380,748</u>
	155,490		155,490
<u>185</u>	<u>333</u>		<u>5,132</u>
<u>185</u>	<u>155,823</u>		<u>160,622</u>
<u>17,059</u>	<u>305,160</u>		<u>541,370</u>
	<u>118,598</u>		<u>1,694,577</u>
	118,598		1,694,577
(12,915)	(81,010)		109,551
(12,915)	37,588		1,804,128
<u>\$ 4,144</u>	<u>\$ 342,748</u>	<u>\$</u>	<u>\$ 2,345,498</u>

BOYNE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)
 Year Ended September 30, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Revenue:		
703	Net tenant rental revenue	\$ 207,823	\$
704	Tenant revenue-other		
705	Total tenant revenue	<u>207,823</u>	
706	HUD PHA grants	129,966	105,031
711	Investment income-unrestricted	1,514	
715	Other income	<u>12,720</u>	
700	Total revenue	<u>352,023</u>	<u>105,031</u>
	Expenses:		
	Administrative:		
911	Administrative salaries	61,684	
912	Auditing fees	3,500	
914	Compensated absences	(22,721)	
915	Employee benefit contributions-adm.	21,587	
916	Other operating-administrative	38,694	
	Tenant services:		
924	Tenant services-other	1,798	
	Utilities:		
931	Water	10,339	
932	Electricity	12,865	
933	Gas	19,091	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	78,266	
942	Ordinary maint & oper-mat'ls & other	36,164	
943	Ordinary maint & oper-contract costs	31,692	
945	Employee benefit contributions	24,315	
	General expenses:		
961	Insurance premiums	23,505	
962	Other general expenses	1,684	
963	Payments in lieu of taxes	16,553	
964	Bad debt-tenant rents	2,197	
967	Interest expense		
969	Total operating expenses	<u>361,213</u>	
970	Excess operating revenue over operating expenses	<u>(9,190)</u>	<u>105,031</u>

Housing Choice Vouchers Program 14.871	Development Fund	Transitional Housing Fund	Totals
\$	\$ 17,189	\$	\$ 225,012
	17,189		225,012
236,312			471,309
651	294		2,459
	72,644		85,364
236,963	90,127		784,144
12,686	23,216		97,586
1,387	1,000		5,887
(596)	2,206	(21,111)
4,230	8,877		34,694
14,118	7,670		60,482
			1,798
			10,339
			12,865
	77		19,168
	22,869		101,135
	3,383		39,547
	1,570		33,262
	7,300		31,615
	811		24,316
	5,632		7,316
			16,553
			2,197
	8,643		8,643
31,825	93,254		486,292
205,138	(3,127)		297,852

BOYNE CITY HOUSING COMMISSION
FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended September 30, 2007

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	Expenses continued:		
	Other expenses:		
971	Extraordinary maintenance	17,557	
973	Housing assistance payments		
974	Depreciation expense	<u>131,976</u>	
	Total other expenses	<u>149,533</u>	
900	Total expenses	<u>510,746</u>	
	Excess (deficiency) of operating revenue over(under) expenses before other financing sources (uses)	<u>(158,723)</u>	<u>105,031</u>
	Other Financing Sources(Uses) :		
1001	Operating transfers in	105,031	
1002	Operating transfers (out)		<u>(105,031)</u>
	Total other financing sources(uses)	<u>105,031</u>	<u>(105,031)</u>
1000	Excess(deficiency) of operating revenue over(under) expenses	<u>(53,692)</u>	
1103	Beginning Net Assets	1,833,017	
1104	Prior period adjustments, equity transfers and correction of errors	<u>130</u>	
	Ending Net Assets	<u>\$ 1,779,455</u>	<u>\$</u>

Housing Choice Vouchers Program 14.871	Development Fund	Transitional Housing Fund	Totals
			17,557
170,199			170,199
	1,213		133,189
170,199	1,213		320,945
202,024	94,467		807,237
34,939	(4,340)		(23,093)
			105,031
			(105,031)
34,939	(4,340)		(23,093)
(47,897)	40,251	(1,666)	1,823,705
43	1,677	1,666	3,516
<u>\$ (12,915)</u>	<u>\$ 37,588</u>	<u>\$</u>	<u>\$ 1,804,128</u>

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards**

Board of Housing Commissioners
Boyne City Housing Commission
Boyne City, Michigan

I have audited the financial statements of the business-type activities of Boyne City Housing Commission, Michigan (Housing Commission), as of and for the year ended September 30, 2007, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated June 18, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*
Boyne City Housing Commission
Page Two

Internal Control Over Financial Reporting (Continued)

control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. Findings 07-1 thru 07-9.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I consider items 07-1 thru 07-9 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 07-1 thru 07-9.

The Housing Commission's response to the findings identified in my audit is described in the accompanying corrective action plan. I did not audit the Housing Commission's response and, accordingly, I express no opinion on it.

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Government Auditing Standards
Boyne City Housing Commission
Page Three

This report is intended solely for the information and use of management, Board of Housing Commissioners, others within the entity, Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Bary Standish, CPA, PC

June 18, 2008

BOYNE CITY HOUSING COMMISSION
STATUS OF PRIOR AUDIT FINDINGS
September 30, 2007
=====

Housing Choice Voucher Program

Finding Item 06-01: Documentation to determine eligibility is missing in the tenant files. This finding is a **repeat** finding.

Finding Item 06-02: There was not correct and/or proper verifications of income, expenses, and assets. This finding is a **repeat** finding.

Finding Item 06-03: Required annual reviews were not performed. This finding has been **cleared**.

Finding Item 06-04: There is not evidence in the files that a criminal background check was performed, or the criminal background check was in the file. This finding has been **cleared**.

Finding Item 06-05: Required documentation is not in the file, or it is not completed properly. This finding is a **repeat** finding.

Finding Item 06-06: Required rent reasonableness tests were not performed. This is a **repeat** finding.

Finding Item 06-07: Quality Control Inspections were not conducted or were not conducted correctly. This is a **repeat** finding.

Finding Item 06-08: There was not any documentation available to indicate that an up-to-date utility allowance schedule was used. This is a **repeat** finding.

Low Rent Public Housing Program

Finding Item 06-09: Documentation to determine eligibility is missing in the tenant files. This is a **repeat** finding.

Finding Item 06-10: There was not evidence in the tenant files, or available outside of the tenant files to show that all of the tenant units were inspected. This finding has been **cleared**.

Finding Item 06-11: Required documentation is missing from the files, or it is not properly completed. This is a **repeat** finding.

Finding Item 06-12: The criminal background check was in the tenant files. This finding has been **cleared**.

Finding Item 06-13: Invoice approval by the Board. This finding has been **cleared**.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES
September 30, 2007
=====

SECTION I - FINANCIAL STATEMENT FINDINGS

None

SECTION II - FEDERAL AWARD FINDINGS

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1: Year Ended September 30, 2007

Condition: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Criteria: The Compliance Supplement, Department of Housing and Urban Development, CFDA 14.871, Section 8 Housing Choice Vouchers, [III] Compliance Requirements, [E] Eligibility of individuals.

Cause of Condition: The staff in charge of this program did not obtain 100% of the correctly completed documentation, due to incomplete implementation.

Effect of Condition: It is difficult to determine if the tenants are eligible for the voucher or if all aspects of the program are being run correctly without proper and complete documentation.

Perspective Information: We started with the 6th file and selected every 9th one after that until a total of 5 files were selected to be tested from an Ad-hoc Tenant Report provided by the Boyne City Housing Commission. We selected 5 tenant files to test from a population of 57 tenant files to select from.

We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	0
3. Incorrect Verification of Income	1
* V-001-0010-07 Not all of the income reported on the worksheet	
4. Incorrect Verification of Expenses	2
* V-001-0004-03 Expense verification doesn't match worksheet	
* V-001-0010-07 Expenses to her on worksheet	
5. Incorrect Verification of Assets	2
* V-001-0004-03 Multiple errors	
* V-001-0010-07 Multiple bank and insurance assets not on worksheet	

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
 September 30, 2007
 =====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1 (Continued): Year Ended September 30, 2007

Perspective Information (continued):

	<u># of Errors</u>
6. Inspection Report missing for fiscal year or was incorrect	2
* V-001-0004-03 Late	
* V-001-0014-04 Pass/Fail not checked	
7. Lease missing or incorrect	0
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing	0
11. Annual Review not done for fiscal year or not documented	0
12. Worksheet for HUD-50058 missing or incorrect	1
* 0055 Missing child-Lexi	
13. Notice of Rent Adjustment missing or incorrect	0
14. Criminal Background Check not done, not documented, or it was in the file	0
15. Declaration of 214 Status missing or incorrect	1
* 0055 Lexi-box not checked	
16. Lead Based Paint disclosure missing or incorrect	1
* V-001-0061-01 Incorrectly done	
17. Check for Previous Eviction from Public Housing not done or incorrect	0
18. Request for Tenancy Approval not done or incorrect	0
19. Voucher not in file or its was incorrect	1
* V-001-0004-03 Not signed by tenant	
20. HAP Contract missing or incorrect	0
21. HAP Tenancy Addendum missing	2
* V-001-0061-01 Missing	
22. Rent Reasonableness Test missing or incorrect	1
* 0055 Missing	
23. Inspection-Life Threatening Corrections made >24hrs.	0
24. Inspection-Nonlife Threatening Corrections made >30 days or past extension	0
25. Proper action not taken if (23) or (24) was violated	0
26. Annual Family Composition Review missing or incorrect	1
* V-001-0004-03 Missing	
27. Copy of Birth Certificate Missing	0
Total	<u>15</u>

Out of a possible 135, there were 15 exceptions from this test.
 This represents an exception rate of 11.11%.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-1 (Continued): Year Ended September 30, 2007

Recommendations: It is recommended that the Housing Commission continue the process of correcting the tenant files where possible.

Auditor's Note: It should be noted that the exception percentage for the voucher program tenant files was much lower for this audit as compared to the previous audit. The exception rate last year was 45.38% as compared to 11.11% this year. In addition, many of the exceptions found were the responsibility of a staff member who is no longer an employee of the Boyne City Housing Commission.

Response: See the corrective action plan that follows the schedule of findings.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-2: Year Ended September 30, 2007

Condition: During testing of the tenant files and through an interview, it was discovered that there was not proper administration of the rent reasonableness testing process.

Criteria: 24 CFR 982.516 Rent to owner: Reasonable rent

Cause of Condition: The staff member in charge of this program didn't perform a test of the reasonableness of the rent where required, due to incomplete implementation.

Effect of Condition: Tenants may have been charged rents that were too high.

Recommendations: It is recommended that the staff correct the deficiencies in the process and perform a rent reasonableness test when there is an increase in rent, for the initial leasing, if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the contract anniversary as compared with the Fair Market Rent in effect 1 year before the contract anniversary, and as otherwise directed by HUD as required by 24 CFR 982.507.

Auditor's Note: It should be noted that there is now a new rent reasonableness testing system in place which should improve the results in the future.

Response: See the corrective action plan that follows the schedule of findings.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-3: Year Ended September 30, 2007

Condition: During testing of the tenant files, it was discovered that there was not proper attempts to obtain information on tenant income, assets and expenses, and then obtain proper verification of tenant income, assets and expenses.

Criteria: 24 CFR 982.516 Family income and composition: Regular and interim examinations.

Cause of Condition: The staff member in charge of this program did not obtain information on possible tenant income, assets and expenses in all cases and then obtain the proper verification of income, assets and expenses, due to inconsistent implementation.

Effect of Condition: Tenants may have been charged rents that were incorrect.

Perspective Information: Out of the five files tested out of a population of 57, Two of the five didn't have proper tenant income, asset and/or expense documentation. This represents an exception rate of 40%.

Recommendations: It is recommended that the staff obtain information on tenant income, assets and expenses and document the process in the tenant file. The staff should then obtain proper verifications of tenant income, expenses and assets using the proper levels of verification methods.

Auditor's Note: It should be noted that it is believed that a staff member who is no longer employed by the Boyne City Housing Commission was responsible for these errors.

Response: See the corrective action plan that follows the schedule of findings.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-4: Year Ended September 30, 2007

Condition: During testing of new admissions to the program, it was discovered that while there was some documentation of new admissions to the program, there was not adequate documentation that new admissions to the program were selected correctly.

Criteria: 24 CFR 982.204 Waiting List: Administration of the Waiting List.

Cause of Condition: The staff member in charge of this program did not have enough documentation to show that all of the new admissions were selected in the correct order, due to poorly designed procedures.

Effect of Condition: Eligible tenants may not have been admitted to the program, or they may not have been admitted in the correct order.

Recommendations: It is recommended that the Boyne City Housing Commission improve the documentation process by placing a copy of a current waiting list sorted by preference in a central file every time there is an event that results in a change in the order of the applicants on the waiting list. In addition, if new admissions are not at the top of the waiting list at the time of admission, there should be adequate documentation for anyone above them on the waiting list as to why they were skipped.

Auditor's Note: It should be noted that the Boyne City Housing Commission has improved the process since last year's audit. Due to the lag effect caused by the audit results being completed well into the year of this audit, the results of the waiting list test didn't reflect the positive changes to the waiting list process that the Boyne City Housing Commission implemented.

Response: See the corrective action plan that follows the schedule of findings.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-5: Year Ended September 30, 2007

Condition: There was no evidence to show that Quality Control Inspections were done.

Criteria: 24 CFR 985.3 Indicators, HUD verification methods and ratings, [24 CFR 985.3(e) HQS quality control inspections].

Cause of Condition: The Boyne City Housing Commission did not perform Quality Control Inspections or did not have documentation showing that they were done, due incomplete implementation.

Effect of Condition: Tenants may be in substandard units.

Perspective Information: During the interview process, it was discovered that Quality Control Inspections were not being done.

Recommendations: Quality Control Inspections should be performed on the units and the results documented on a proper inspection form. Any deficiencies should be noted and those deficiencies corrected within the specified time frames, which are 24 hours for emergency items and 30 days or by granted extension for deficiencies that are not emergencies. These Quality Control Inspections should be done in sufficient numbers to meet the requirements of 24 CFR 985.2. It is recommended that these Quality Control Inspections be done as soon as possible after the original annual inspections, but in any case within the required three months.

Auditor's Note: The Boyne City Housing Commission staff stated that they are performing HQS quality control inspections now.

Response: See the corrective action plan that follows the schedule of findings.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Housing Choice Voucher Program - CFDA No. 14.871

Finding Item 07-6: Year Ended September 30, 2007

Condition: It was discovered through the interview process that a utility study was completed on June 14, 2007. The previous study was done in approximately 1992.

Criteria: 24 CFR 982.517 Utility allowance schedule. 24 CFR 985.3 Indicators, HUD verification methods and ratings. [24 CFR 985.3(d) Utility Allowance Schedule].

Cause of Condition: The staff failed to do a study of the utilities and update the schedule as required, due to unknown reasons by past management personnel.

Effect of Condition: If there has been a rate change of 10% or more for a utility category or fuel type since the last time the utility allowance schedule was revised, then the utility allowance schedule the Boyne City Housing Commission has been using would be incorrect.

Recommendations: The Boyne City Housing Commission should perform a study of the utilities and update the utility schedule as required in the future. The Boyne City Housing Commission should review utility rate data every 12 months and adjust its utility allowance schedule if there is a change of 10 percent or more in a utility rate since the last time the utility allowance schedule was revised.

Auditor's Note: Since a new utility study was done recently, the Boyne City Housing Commission should be in compliance for the fiscal year that started October 1, 2007.

Response: See the corrective action plan that follows the schedule of findings.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-7: Year Ended September 30, 2007

Condition: Required and recommended documentation is missing, incorrect, or incomplete in the tenant files.

Criteria: The Compliance Supplement, Department of Housing and Urban Development, CFDA 14.850a, Public and Indian Housing [III] Compliance Requirements, [E] Eligibility for individuals.

Cause of Condition: The staff in charge of this program did not obtain 100% of the correctly completed documentation, due to incomplete implementation.

Effect of Condition: It is difficult to determine if the tenants are eligible for the program or if the program is being run correctly in all cases without proper and complete documentation.

Perspective Information: We selected five public housing files to test from an Ad-hoc Tenant Report supplied by the Boyne City Housing Commission. We started with the 30th tenant on the list and selected every 5th tenant after that until a total of five were selected from a population of 75 tenant files.

We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in tenant file or incorrect	0
3. Incorrect Verification of Income	2
* P-001-0001-04 Income verification didn't match the worksheet	
* P-001-0029-15 No documentation for verifications	
4. Incorrect Verification of Expenses	3
* P-002-0071-07 Expenses not verified or documentation is not present	
* P-001-0029-15 No documentation for verifications	
* P-001-0012-10 Life insurance isn't an expense	

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-7 (Continued): Year Ended September 30, 2007

Perspective Information (Continued):

	<u># of Errors</u>
5. Incorrect Verification of Assets	4
* P-002-0071-07 Asset should not have been on worksheet	
* P-002-0075-10 Third party verification request not in line with policy	
* P-001-0029-15 No documentation for verifications	
* P-001-0012-10 Life insurance should have been listed as an asset	
6. Inspection Report for fiscal year is missing or incorrect	1
* P-001-0029-15 Missing	
7. Lease missing or incorrect	1
* P-001-0029-15 Missing for fiscal year	
8. Application missing or incorrect	0
9. Copy of Photo I.D. missing	0
10. Copy of Proof of Social Security Number Verification missing	0
11. Copy of Birth Certificate missing	0
12. Worksheet for HUD-50058 missing or incorrect	0
13. Flat Rent/Income Based Rent Choice missing or incorrect	5
* P-002-0071-07 Missing	
* P-002-0075-10 Missing	
* P-001-0001-04 Missing	
* P-001-0029-15 Missing	
* P-001-0012-10 Missing	
14. Notice of Rent Adjustment missing or incorrect	0
15. Criminal Background Check not done, not documented, or it was in the file	0
16. Declaration of 214 Status missing or incorrect	0
17. Check for Previous Eviction from Public Housing not done or incorrect	0
18. Annual Family Composition Review missing or incorrect	1
* P-001-0029-15 Missing	
19. Annual Review missing or incorrect	0

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-7 (Continued): Year Ended September 30, 2007

Perspective Information (Continued):

	<u># of Errors</u>
20. Incorrect Rent Calculation	3
* P-001-0001-04 Incorrect expense calculation	
* P-001-0029-15 Incorrect-ineligible tenants and no verification	
* P-001-0012-10 Incorrect-expenses too high	
21. Lead Based Paint Disclosure missing or incorrect	5
* P-002-0071-07 Missing	
* P-002-0075-10 Missing	
* P-001-0001-04 Missing	
* P-001-0029,15 Missing	
* P-001-0012-10 Missing	
Total	<u>25</u>

Out of a possible 105, there were 25 exceptions from this test.
This represents an exception rate of 23.81%.

Recommendations: It is recommended that the Boyne City Housing Commission continue the process of correcting the tenant files where possible.

Response: See the corrective action plan that follows the schedule of findings.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-8: Year Ended September 30, 2007

Condition: During testing of the tenant files, it was discovered that there was not proper attempts to obtain information on tenant income, assets and expenses, and then obtain proper verification of tenant income, assets and expenses in all cases.

Criteria: 24 CFR 960.257 Family income and composition: Regular and interim reexaminations.

Cause of Condition: The staff members in charge of this program did not obtain information on possible tenant income, assets and expenses in all cases and then obtain the proper verification of income, assets and expenses. This was due to incomplete implementation.

Effect of Condition: Tenants may have been charged rents that were incorrect.

Perspective Information: Out of the 5 files tested out of a population of 75, five of the five didn't have all of the proper tenant income, asset and/or expense documentation and the proper corresponding verifications. This represents an exception rate of 100%.

Recommendations: It is recommended that the staff obtain information on tenant income, assets and expenses and document the process in the tenant file. The staff should then obtain proper verifications of tenant income, expenses and assets using the proper levels of verification methods.

Response: See the corrective action plan that follows the schedule of findings.

BOYNE CITY HOUSING COMMISSION
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
September 30, 2007
=====

SECTION II - FEDERAL AWARD FINDINGS (CONTINUED)

Low Rent Public Housing Program - CFDA No. 14.850a

Finding Item 07-9: Year Ended September 30, 2007

Condition: During testing of the tenant files, it was discovered that documentation of the tenant's choice of flat rent versus income based rent wasn't documented in the tenant files.

Criteria: 24 CFR 960.253 Choice of Rent

Cause of Condition: The staff member in charge of this program did not obtain any of the documentation.

Effect of Condition: Tenants may have been charged incorrect rents, tenants may not be aware of their rights, and tenants were not given a proper chance to select income based or flat rent.

Perspective Information: Out of the five files tested, five of the five didn't have any documentation. This represents an exception rate of 100%.

Recommendations: It is recommended that the Boyne City Housing Commission document the tenant's annual written choice of flat rent or income based rent completely and correctly in the future.

Auditor's Note: The Boyne City Housing Commission is now documenting the tenant's annual written choice of flat rent or income based rent.

Response: See the corrective action plan that follows the schedule of findings.

BOYNE CITY HOUSING COMMISSION
CORRECTIVE ACTION PLAN
September 30, 2007
=====

Finding 07-1: Housing Choice Voucher Program Eligibility documentation missing.

Auditee's Response: Missing identification/program eligibility documentation, specifically birth certificates and social security cards, for 100% of voucher tenant files have been requested from tenants and were collected by office staff. A deadline of October 1, 2007 was given. Tenants that did not respond will lose their housing assistance voucher. Voucher tenant files have been restructured to include an individually tabbed and labeled section for the storage and readily available access of the following check list of documents:

Form HUD-50058	Privacy Act Notice
Proper Verification of Income	Proper Verification of Expenses
Proper Verification of Assets	Inspection Report
Lease	Application
Copy of Photo I.D.	Copy of Social Security Card
Copy of Birth Certificate	Annual Review
Worksheet for HUD-50058	Notice of Rent Adjustment
Criminal Background Check	Declaration of 214 Status
Lead Based Paint Disclosure	Request for Tenancy Approval
Voucher	HAP Contract
HAP Tenancy Addendum	Rent Reasonableness Test
Inspection-Life Threatening	
Correction made <24 hours	

Finding 07-2: Housing Choice Voucher Program Rent Reasonable Test

Auditee's Response: The Nelrod Company has been contracted to allow Housing Commission staff to perform online Rent Reasonableness tests as required for the voucher program. The contract was signed and mailed to the Nelrod Company on October 15, 2007. Rent Reasonableness tests will be performed by staff as soon as online access is established.

Finding 07-3: Housing Choice Voucher Program Income, assets and expense verifications

Auditee's Response: 100% of voucher tenant files have been reviewed by staff and proper income, asset, and expenses verifications are being obtained and interim reviews completed as needed. Current Housing Manager, Lisa Luebke and Housing Clerk, Brenda Thompson are scheduled to complete Nan McKay HCV Program Specialist training the week of October 29, 2007 in Minneapolis, MN. Future annual/interim re-examinations will be double checked for program compliance by both staff members.

BOYNE CITY HOUSING COMMISSION
CORRECTIVE ACTION PLAN
September 30, 2007
=====

Finding 07-4: Housing Choice Voucher Program Waiting List Documentation

Auditee's Response: We have implemented the auditor's recommendation of placing a copy of a current waiting list sorted by preference in a central file every time there is an event that results in a change in the order of the applicants on the waiting list. We will also be documenting the reason for skipping anyone on the list.

Finding 07-5: Housing Choice Voucher Program HQS Inspections

Auditee's Response: 100% of outstanding HQS inspections were completed by staff by Thursday, September 28, 2007. Housing Commission staff will attend HQS training and HQS inspections will be performed on time and in compliance with program requirements. HQS inspections for voucher tenants residing in our tax credit building, Deer Meadows, will be performed by a contracted HQS certified third party. Advertising locally resulted in no response so the BCHC will expand the search.

Finding 07-6: Housing Choice Voucher Program Utility Study

Auditee's Response: U Apro, of 2rw Consultants, Inc., has been contracted and an updated utility allowance schedule has been received and was implemented October 1, 2007.

**Findings 07-7, Low Rent Public Housing Program Eligibility
07-8 and 07-9: documentation missing**

Auditee's Response: Missing identification/program eligibility documentation specifically birth certificates and social security cards, for 100% of public housing tenant files have been requested from tenants and were collected by office staff. Deadline given was October 1, 2007. Tenants that did not respond will face eviction.

Public Housing tenant files have been restructured to include an individually tabbed and labeled section for the storage and readily available access of the following check list of documents.

Form HUD-50058	Privacy Act Notice
Proper Verification of Income	Proper Verification of Expenses
Proper Verification of Assets	Inspection Report
Lease	Application
Copy of Photo I.D.	Copy of Social Security Card
Copy of Birth Certificate	Annual Review
Worksheet for HUD-50058	Notice of Rent Adjustment
Criminal Background Check	Declaration of 214 Status
Lead Based Paint Disclosure	

BOYNE CITY HOUSING COMMISSION
ADJUSTING JOURNAL ENTRIES
 September 30, 2007
 =====

Financial
 Assessment
 Electronic
 Submission

<u>Line #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
<u>Low Rent Public Housing Program</u>			
	(1)		
114	Cash-tenant security deposits	\$ 31,043	
111	Cash- unrestricted		\$ 31,043